



Fiscal Year 2009 Budget Recommendations

Darin Gordon, Deputy Commissioner

Scott Pierce, Chief Financial Officer

Patti Killingsworth, Chief of Long Term Care

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OPERATIONAL AGENDA

Increasing Accountability

- Complete integration and return to full financial risk for all MCOs
- Strengthen contract language for all partners
- Continue focus on prompt audit-finding resolution

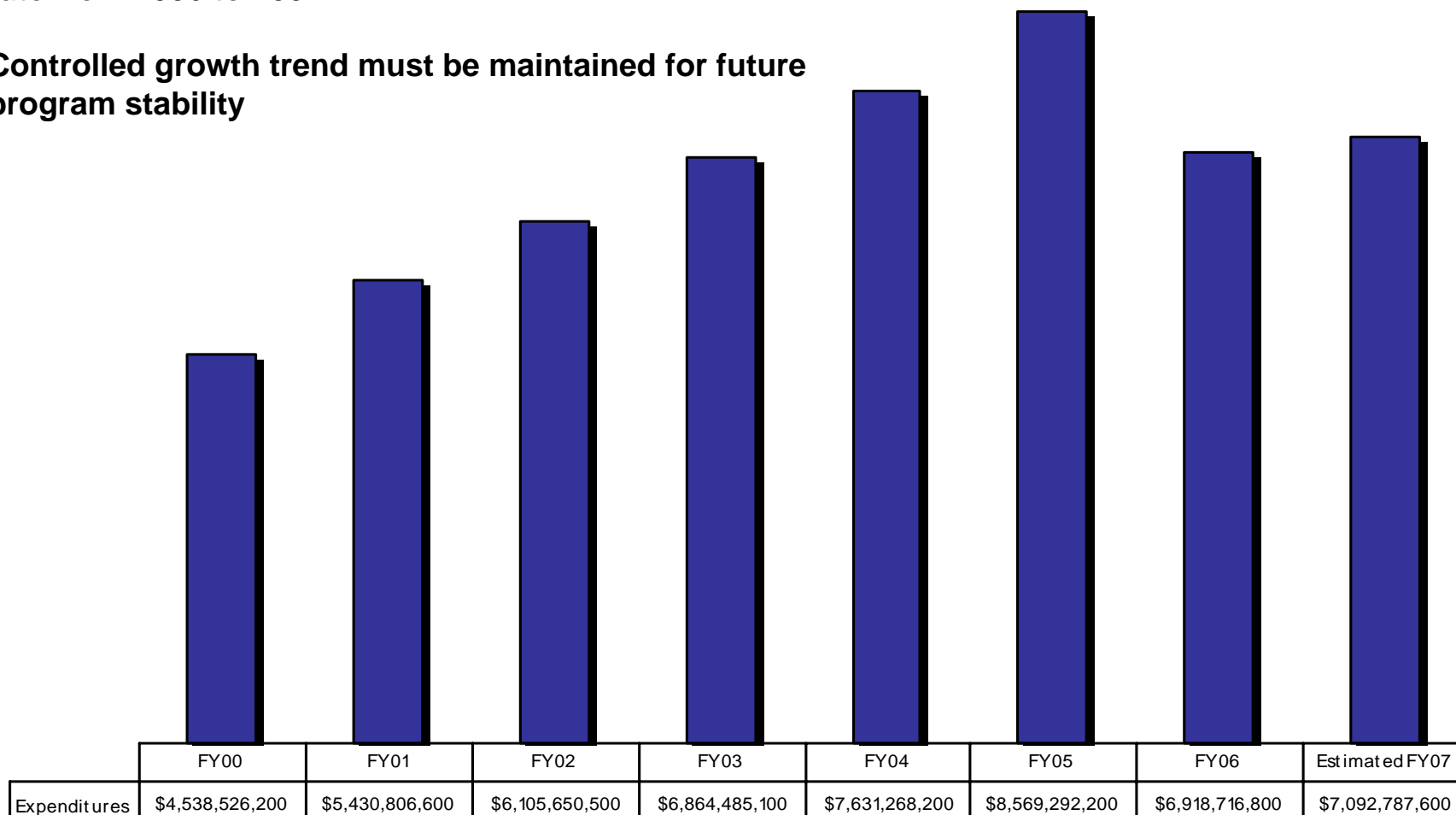
Improving Access

- Standardize cost-sharing for children
- Implement Standard Spend Down
- Build cost-effective HCBS program



TOTAL EXPENDITURES FOR FY 2000-2007

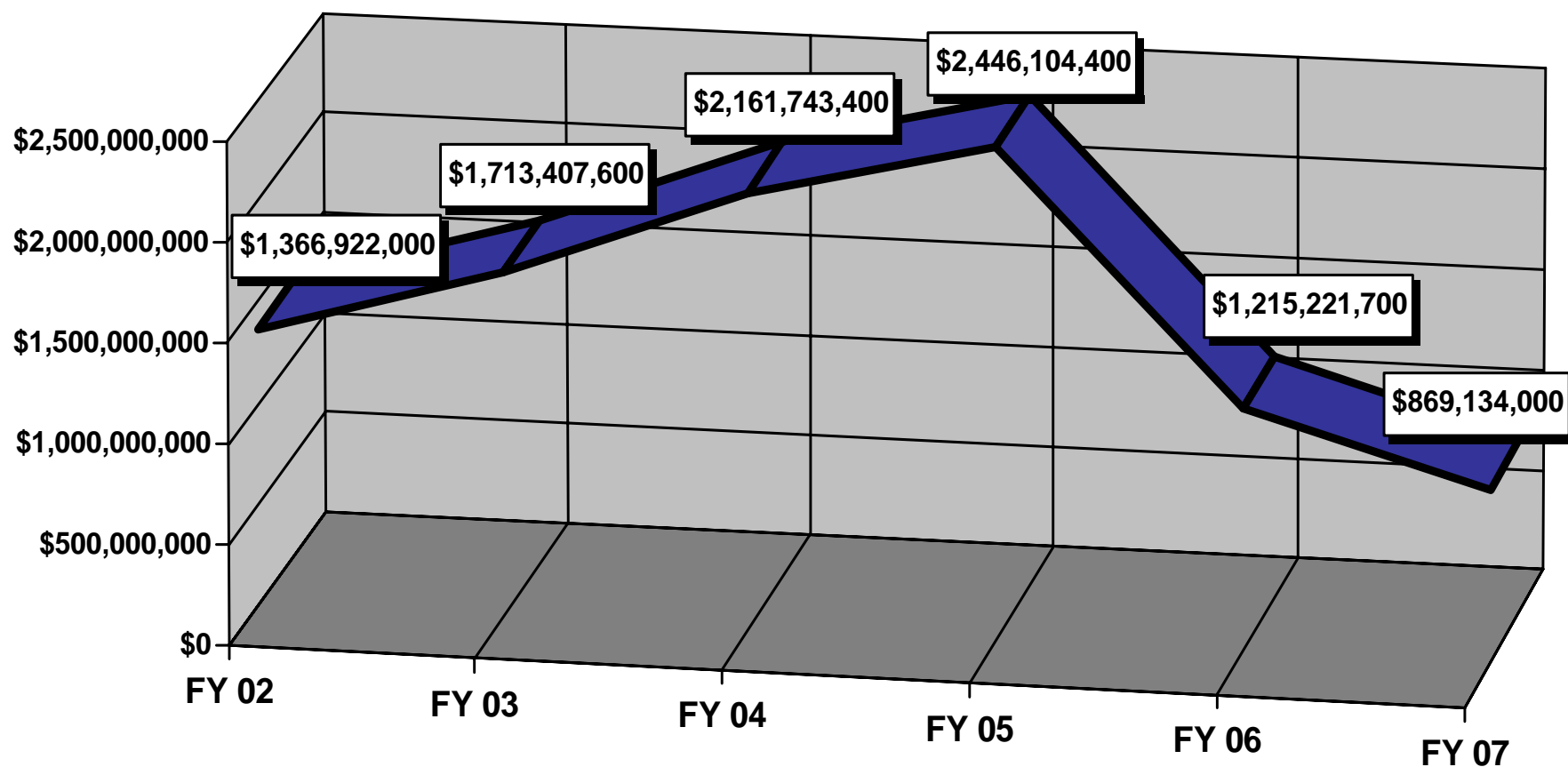
- TennCare managed operations for a near-flat growth rate from 2006 to 2007
- Controlled growth trend must be maintained for future program stability





TOTAL PHARMACY EXPENDITURES

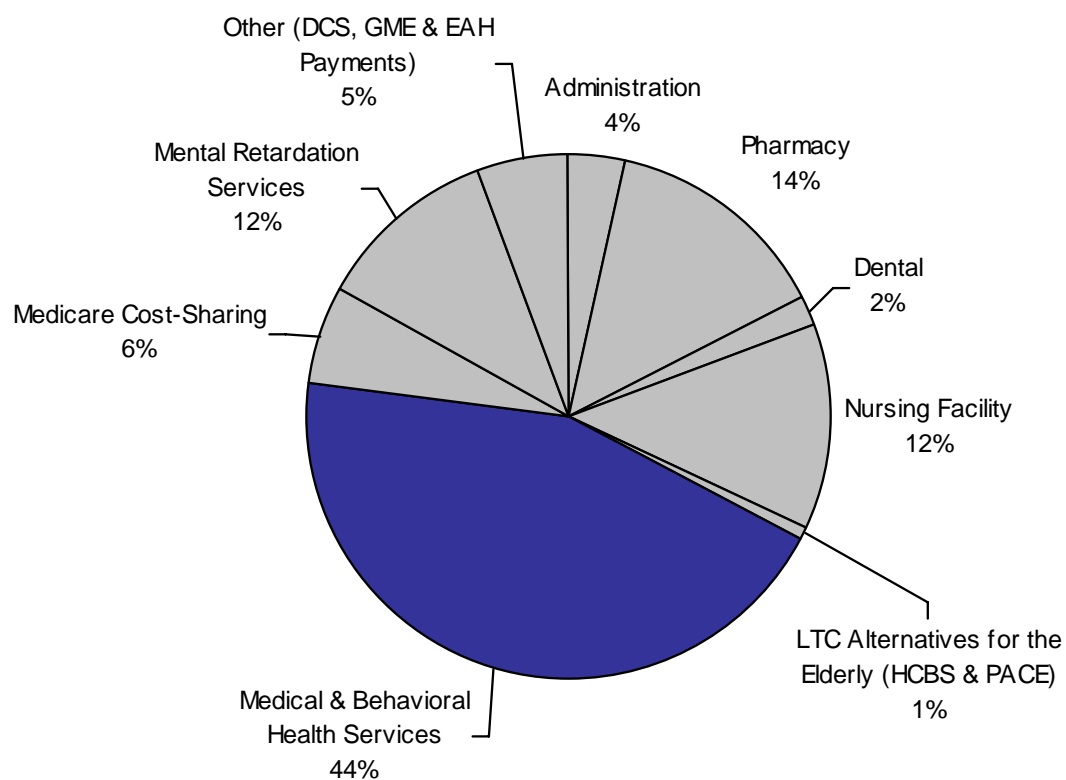
- Pharmacy was former largest program cost-driver and now is at more reasonable levels
- Remainder of Medicare Part D accounting change a major factor in FY06 to FY07 expenditure drop





2009 BASE BUDGET EXPENDITURES BY CATEGORY

- Pharmacy expenditures a more reasonable percentage of program
- Largest percentage of spending is on medical and behavioral services
- Home Health & PDN included in the medical and behavioral health services category



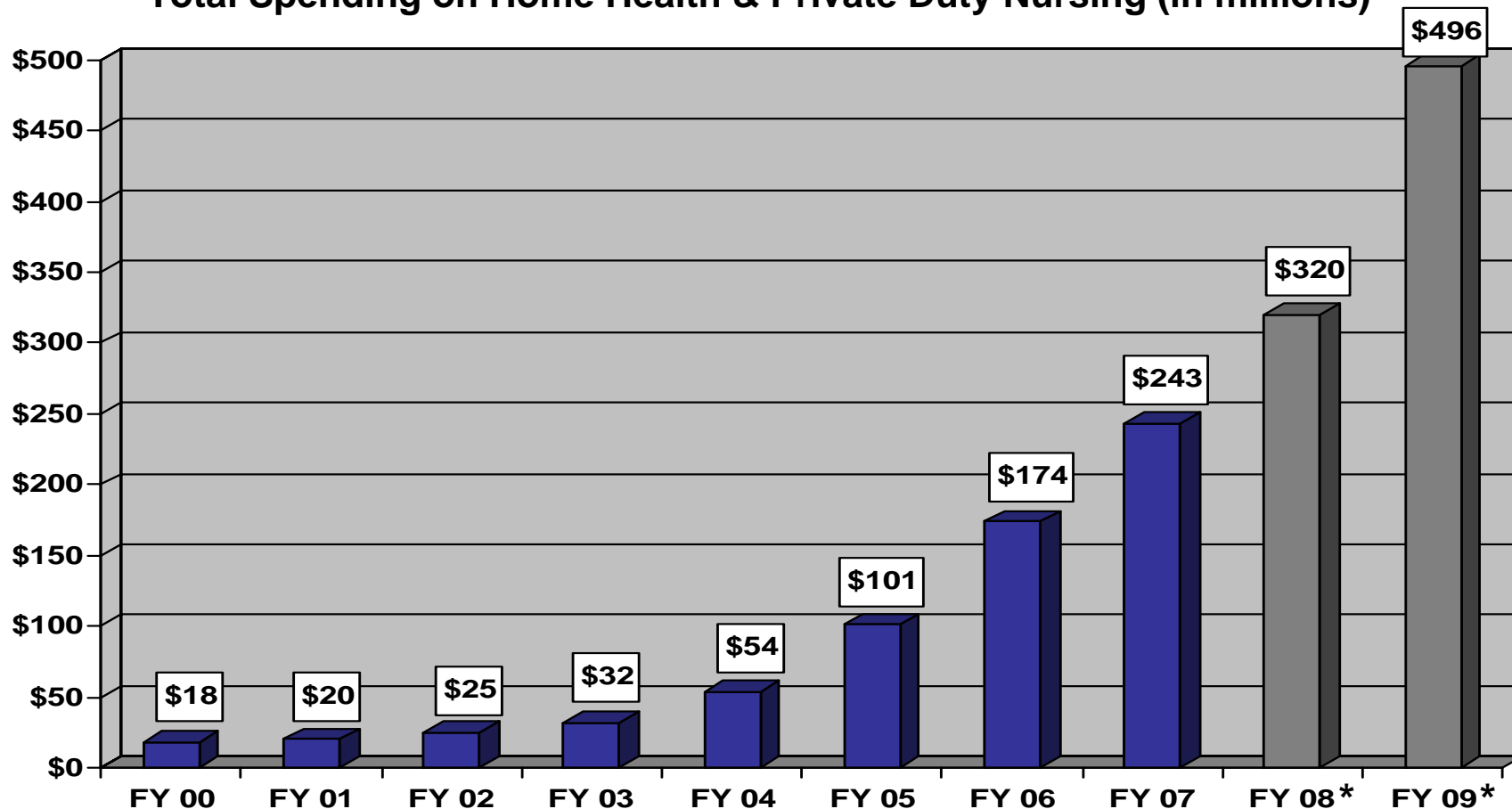
Medical & Behavioral Health Services	\$3,351,732,600
Pharmacy	1,050,000,000
Nursing Facility	939,634,200
Nursing Facility Alternatives	55,495,900
Mental Retardation	872,223,700
Medicare Cost-Sharing	448,375,700
Other (DCS, GME & EAH Payments)	409,386,200
Administration	267,163,100
Dental	153,559,800
Total	\$7,547,571,200



FASTEST-GROWING PROGRAM COST DRIVER

- Unsustainable 53% annual growth rate and lack of rational benefit structure is comparable to previous TennCare pharmacy program
- At current trend rate, HH/PDN will require nearly \$300 million new dollars (total)

Total Spending on Home Health & Private Duty Nursing (in millions)



* Projected expenditures at current growth rate

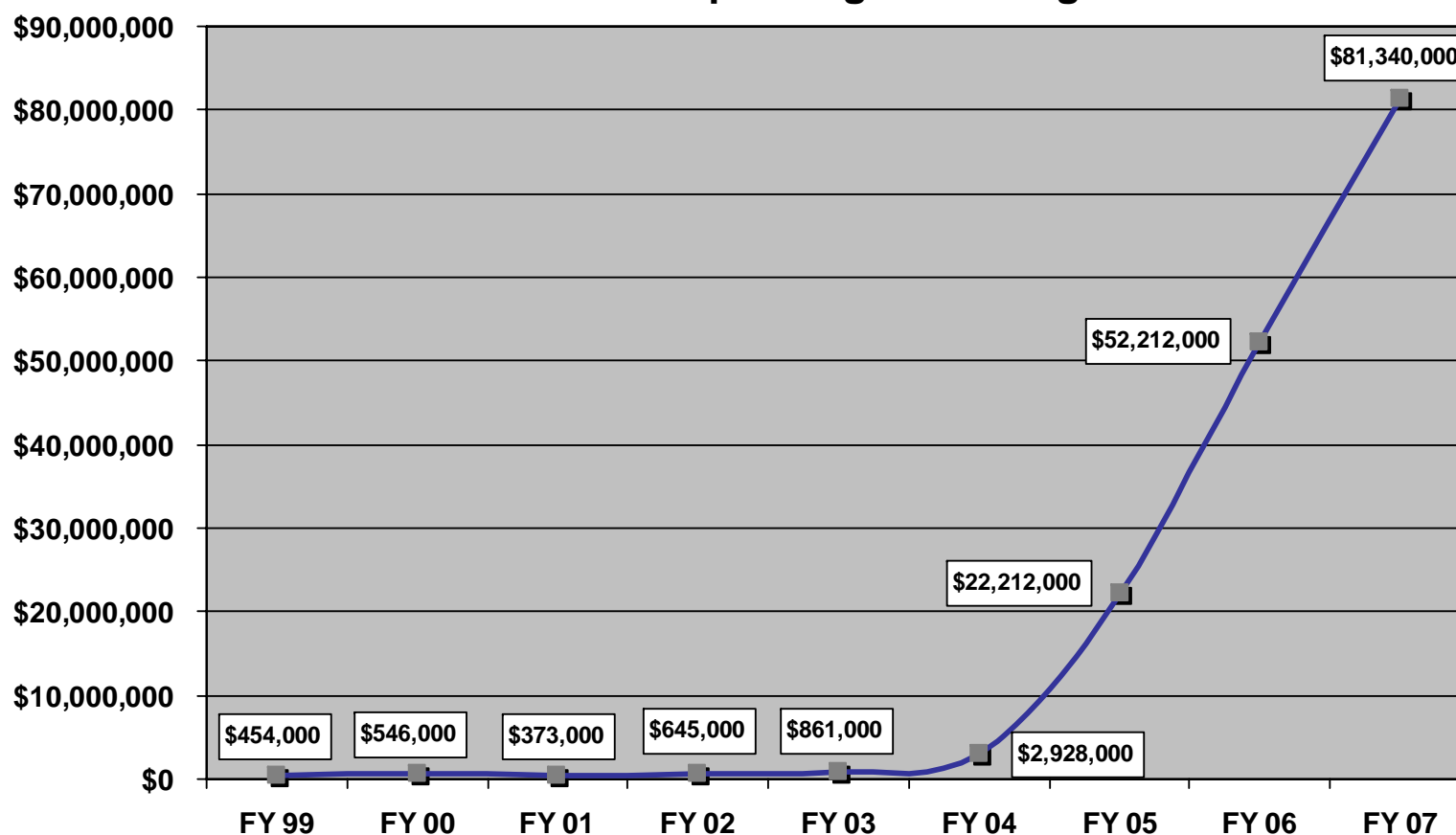
FY 09 Budget



HOME HEALTH & PRIVATE DUTY NURSING SERVICES

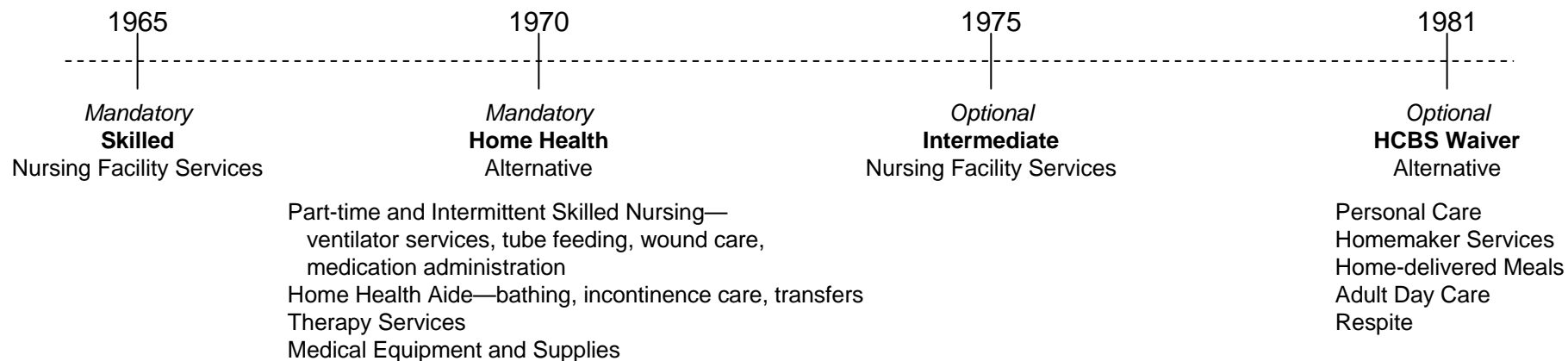
- Most significant spending growth in HH/PDN attributed to 65+ population
- Expenditures skyrocketed from \$645K to \$81M in only 5 years
- Costs went from 3% of total home health/PDN expenditures to 33% in 2007

Home Health and PDN Spending Growth ages 65 and older





EVOLUTION OF MEDICAID LONG TERM CARE



Home Health/Private Duty Nursing Services

- Intended to offer a cost-effective alternative to institutionalization
- The "de facto" community care benefit in Tennessee (as the HCBS Waiver Program is maturing)
- Ceases to be a cost-effective alternative to institutionalization when HH/PDN supplants family and other caregivers and becomes the primary or even sole source of an individual's support
- Uncontrolled HH and PDN growth limits expansion of lower cost HCBS alternatives

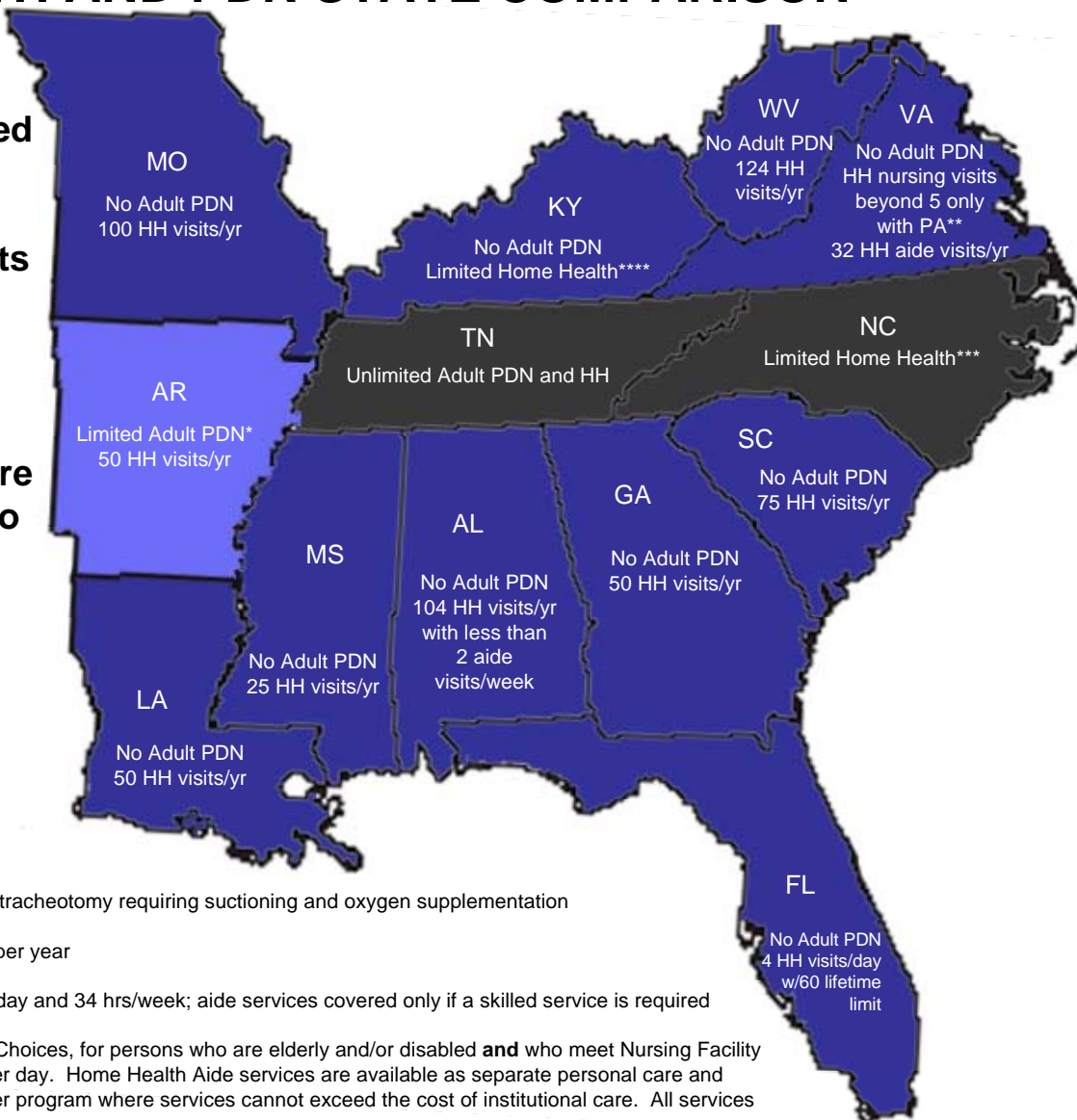
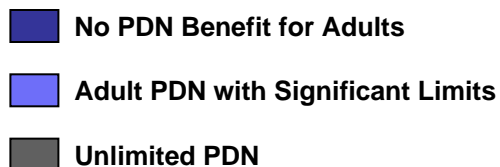
LONG TERM CARE CONTINUUM

Community			Institution
Independent Person	Assistance from Family/Friends HH/PDN	Assistance from Family Friends supplemented with and/or HCBS Waiver	Nursing Home
Relative Per Person Cost	\$-\$\$\$\$	\$	\$\$\$



HOME HEALTH AND PDN STATE COMPARISON

- Tennessee's Home Health and PDN coverage policy is an outlier compared with peer Medicaid programs
- Most states do not offer PDN to adults and place significant limits on HH benefit for adults
- Tennessee's Pre-TennCare Medicaid program used a Home Health structure that included 60 visits per year and no adult PDN benefit.



* Limited to ventilator dependent individuals and those with functioning tracheotomy requiring suctioning and oxygen supplementation

** Prior Authorization required for skilled nursing visits which exceed 5 per year

*** HH covered on a part-time or intermittent basis not to exceed 8 hrs/day and 34 hrs/week; aide services covered only if a skilled service is required

**** Kentucky has 4 separate Medicaid benefit plans. Comprehensive Choices, for persons who are elderly and/or disabled **and** who meet Nursing Facility level of care, covers no more than 2 intermittent skilled nursing visits per day. Home Health Aide services are available as separate personal care and housekeeping services (up to 4 hours per week) through a 1915c waiver program where services cannot exceed the cost of institutional care. All services must be prior authorized.



SUSTAINABLE COMMUNITY-BASED CONTINUUM OF CARE

Goals

- Establish a rational Home Health/PDN benefit structure
- Rein in out-of-control growth in HH/PDN expenditures
- Utilize HCBS Waiver Program to provide cost-effective in-home support services
- Help more individuals and families delay or prevent institutionalization by ensuring continued access to cost-effective HCBS waiver services

Strategies

- Apply existing HCBS cost-effectiveness standard to Home Health and PDN services
- Exempt all children and all ventilator-dependent adults
- Re-align resources to support enrollment and infrastructure development to meet imminent increased demand for HCBS



COST-EFFECTIVE USE OF EXISTING STATE FUNDS

Ensure Adequate Capacity for HCBS (\$10,127,900)

- Current growth trends indicate 3,700 enrollment cap filled by end of FY08
- Future trends indicate 6,000 enrollment cap could be filled by end of FY09

Establish Electronic Visit Verification System (\$933,400)

- Improve quality and accountability for service delivery
- Minimize opportunity for fraudulent billing
- Increase efficiency and timeliness of provider payments

Equalize rates for HCBS and Options Programs (\$944,000)

- Properly align financial incentives
- Maximize federal match



RECOMMENDED IMPROVEMENTS AND REDUCTIONS

FY 2009 TennCare Budget Request

	<u>State</u>	<u>Federal</u>	<u>Other</u>	<u>Total Dollars</u>
Base Issues				
FFP change - federal matching rate from 63.695% to 64.138%	(\$29,109,200)	\$29,109,200	\$0	\$0
Premium collection phase out for children	\$15,000,000	\$0	(\$15,000,000)	\$0
Strengthening LTC Continuum				
Adult Home Health/PDN Benefit structure				
Cost Effectiveness Test - Adults cannot exceed institutional care cost for Home Health/PDN each month. All children and ventilator-dependent adults are exempt.	(\$31,501,100)	(\$56,338,700)	\$0	(\$87,839,800)
Home and Community Based Services				
Additional 2300 slots in the Statewide HCBS program for the elderly and disabled	\$10,127,900	\$18,113,300	\$0	\$28,241,200
Electronic visit verification system for Statewide HCBS waiver program	\$933,400	\$933,400	\$0	\$1,866,800
Equalize rates in the Statewide HCBS program for elderly and disabled with the State OPTIONS program for homemaker, personal care, and home delivered meals	\$944,000	\$1,688,300	\$0	\$2,632,300
TennCare Select Pediatric screening rates				
Pediatric Evaluation and Management codes in Select: increase Select rates on CPT codes 99212, 99213, 99214, and 99215	\$528,500	\$945,200	\$0	\$1,473,700
Medicare Cost Sharing				
Medicare Part A and Part B Cost sharing increases - 3.1% increase by CMS for CY 2008	\$7,845,200	\$14,030,800	\$0	\$21,876,000
Health Care Inflation				
Pharmacy Trends - 3.05%	\$6,488,000	\$11,603,600	\$6,356,500	\$24,448,100
Medical Trends	\$37,195,300	\$66,522,700	\$0	\$103,718,000
PACE in Hamilton Co. -Recalculation of 2009 capitation rate	\$223,400	\$399,600	\$0	\$623,000
Total - New Dollars for TennCare program	\$18,675,400	\$87,007,400	(\$8,643,500)	\$97,039,300



CONTINUE PROGRAM VIGILANCE

Facing Challenges

- Control future cost drivers now
- Monitor CMS efforts to mitigate federal budget exposure
- Manage resource diversion due to existing lawsuits

Fulfilling Commitments

- Maintain program's financial stability
- Ensure day-to-day operations promote program success
- Focus on TennCare's core priorities